

Message Text

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PAGE 01 BUENOS 06482 262132Z

64

ACTION ARA-10

INFO OCT-01 ISO-00 FBO-02 A-01 L-03 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SIL-01 IO-10 AID-05 PRS-01

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E.O. 11652: N/A

TAGS: ELAB, ABLD, AR

SUBJECT: CHANCERY PROBLEMS THREATEN USG INTERAMERICAN LABOR
INTERESTS

REFERENCE: (A) STATE 224997; (B) BA 6381; (C) BA 6453; (D) BA
6444

FOR ARA/LAB, ARA, FBO AND A

1. SUMMARY: FBO DECISION TO TERMINATE CONTRACT OF FIRM SITRA
FOR CONSTRUCTION NEW CHANCERY HAS POTENTIAL TO SERIOUSLY AFFECT
ARGENTINE LABOR RAPPOCHEMENT WITH AFL-CIO AND ITS PARTICIPATION
IN HEMISPHERIC LABOR ACTIVITIES. SHOULD UNFAVORABLE PUBLICITY
OVER CANCELLATION ARISE DURING CGT ATTENDANCE AT AFL-CIO
OR ICFTU CONGRESSES, CGT MAY FIND IT POLITICALLY INEXPEDIENT
TO CONTINUE CLOSE COOPERATION WITH US LABOR. REQUEST THIS PO-
TENTIAL DAMAGE TO OUR LABOR INTERESTS BE REVIEWED BY APPROPRIATE
DEPARTMENT OFFICERS. END SUMMARY.

2. FBO'S FORMAL NOTIFICATION OF UNILATERAL CANCELLATION OF
NEW CHANCERY CONSTRUCTION CONTRACT WITH SITRA (CONSTRUCTION
CONTRACTOR) NOW SCHEDULED FOR AFTERNOON SEPTEMBER 29. DEPART-
MENT SHOULD BE AWARE THAT SUCH ACTION AT THIS TIME COULD
ADVERSELY AFFECT ARGENTINA LABOR NEGOTIATIONS WITH AFL-CIO
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PAGE 02 BUENOS 06482 262132Z

ON FUTURE INTERAMERICAN LABOR RELATIONS AND RESTRUCTURING OF

ORIT. SITRA PRESIDENT GREGORIO CHODOS ADVISED FBO LAWYER HAROLD BURMAN SEPTEMBER 25 THAT CGT HAD URGED HIM NOT RPT NOTTO TAKE ANY ACTION WHICH MIGHT CAUSE PUBLIC DISPUTE REGARDING CONTRACT PROBLEMS AS CGT WOULD BE ATTENDING AFL-CIO CONGRESS AND CARRYING OUT IMPORTANT NEGOTIATIONS.FYI: CGT UNAWARE THAT CONTRACT TERMINATION IS PLANNED. END FYI. WE BELIEVE THAT SHOULD ADVERSE PUBLICITY RESULT BECAUSE OF CONTRACT TERMINATION CGT MIGHT WELL FEEL OBLIGED TO CANCEL ITS VISIT AND/OR SUBSEQUENT CLOSE COLLABORATION WITH AFL-CIOM

3. LABOR INTEREST IN ISSUE HAS BEEN INTENSE SINCE AUGUST 29 SUSPENSION OF WORK ON CONTRACT.QUESTION WAS DISCUSSED AT CGT EXECUTIVE BOARD MEETING, DURING WHICH DECISION WAS TAKEN TO OFFER SITRA FULL BACKING OF CGT. THAT DECISION WAS COMMUNICATED TO CHODOS AND EMBASSY LABOR ATTACHE, WHO HAD PREVIOUSLY ADVISED CONSTRUCTIONWORKERS SECGEN PAPAGNO OF REASONS FOR SUSPENSION. SUBSEQUENTLY, AT REQUEST OF CGT, DCM AND LABATT VISITED CGT PRESS SECRETARY WIMER TO BRIEF HIM FULLY ON MATTER. AT THAT TIME WIMER POINTED OUT CLOSE, LONGSTANDING RELATIONSHIP BETWEEN CGT AND SITRA, ADVISING THAT LABOR HAD ALWAYS FOUND CHODOS TO BE RESPONSIBLE. WIMER NOTED THAT SITRA HAS CONSTRUCTED MANY UNION BUILDINGS AND HOUSING PROJECTS. ADDITIONALLY, SITRA IS CONTRACTING FIRM FOR SEVERAL THOUSAND HOUSING UNITS NOW PROGRAMMED BY CGT. IN VIEW ABOVE, AND CHODOS' PERSONAL RELATIONSHIP WITH IMPORTANT LABOR LEADERS, LABOR ATTACHE CONVINCED THAT REGARDLESS OF LEGAL JUSTIFICATION SITRA COULD COUNT ON COMPLETE CGT BACKING IN ANY DISPUTE WITH USG.

4. EMBASSY HAS NOT CONTACTED CGT WITH REFERENCE ITS REQUEST TO CHODOS THAT HE NOT CREATE CONTENTIOUS SITUATION DURING CGT DELEGATIONS VISIT IN US AS TO DO SO WOULD SIMPLY LOCK CGT INTO AN ADVERSE POSITION. HOWEVER, WE HAVE NO REASON TO DOUBT THAT STATEMENT WAS IN FACT MADE. CGT OFFICIALS HAD PREVIOUSLY ADVISED LABATT OF POLITICAL PROBLEMS THE CASE COULD CREATE FOR THEM, ESPECIALLY IN VIEW THEIR PENDING VISIT TO US.

5. WE BELIEVE THAT SITRA WILL NOT SEEK TO CREATE ADVERSE PUBLICITY AT THE PRESENT TIME; HOWEVER, THE DECISION COULD NOT BE KEPT FROM THE SITRA CONSTRUCTION WORKERS, WHO MAY ON THEIR OWN SPARK PUBLICITY WHICH ALL CONCERNED WOULD LIKE TO AVOID.
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LOCAL LABOR LEADERS WHO OPPOSE CGT DECISION TO AFFILIATE WITH ICFTU AND RE-ESTABLISH CLOSE RELATIONS WITH AFL-CIO COULD BE EXPECTED TO TAKE FULLEST ADVANTAGE OF ANY INCIDENT TO EMBARRASS VISITING DELEGATION.

6. IN VIEW OF ABOVE POTENTIAL DAMAGE TO OUR INTERAMERICAN LABOR INTERESTS, REQUEST THAT APPROPRIATE ARA AND LABOR OFFICES REVIEW SITUATION WITH FBO SO THAT STRATEGY SAFEGUARDING OUR

OVERALL INTERESTS CAN BE DEVELOPED PRIOR TO OFFICIAL NOTIFICATION OF CONTRACT CANCELLATION ON SEPTEMBER 29. SHOULD SITRA OR OTHERS RAISE ISSUE PUBLICLY, IT MIGHT FORCE CANCELLATION OF PROGRAMMED SEPTEMBER 30 DEPARTURE OF CGT DELEGATION. THIS COULD HAVE CONTINENT-WIDE REPERCUSSIONS AND UNDO THE WORK OF MANY YEARS OF PATIENT DIPLOMACY.

6. FYI: DELIVER OF TERMINATION ORIGINALLY PLANNED FOR FRIDAY 26 SEPT. NOW DEFERRED UNTIL MONDAY 29 SEPT, OR LATER IF NECESSARY, IN VIEW OF CONTENTS THIS MESSAGE.

7. PROBLEMS REFERRED TO ABOVE ALSO IMPACT ON QUESTION WHETHER TO DIRECTLY DEFAULT TERMINATE AT THIS TIME OR NOT.

END FYI.

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